

U.S. Department of Housing and Urban Development



Summary of Performance and Financial Information *Fiscal Year 2014*

About This Report

The United States Department of Housing and Urban Development's (HUD) Summary of Performance and Financial Information Report (Summary Report) for Fiscal Year (FY) 2014 provides a summary of the most relevant performance and financial information to help the President, Congress, and the public assess our stewardship over the resources entrusted to us. HUD's [FY 2014 Agency Financial Report \(AFR\)](#), [FY 2014 Annual Performance Report](#), and [FY 2016 Annual Performance Plan](#) contain more comprehensive information and analyses.

Mission, Vision, & Core Values

HUD's mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. Our vision is to improve lives and strengthen communities to deliver on America's dreams. Therefore, we pledge —

- **For our residents:** we will improve lives by creating affordable homes in safe, healthy communities of opportunity, and by protecting the rights and affirming the values of a diverse society.
- **For our partners:** we will be a flexible, reliable problem solver and source of innovation.
- **For our employees:** we will be a great place to work, where employees are valued, mission-driven, results-oriented, innovative, and collaborative.
- **For the public:** we will be a good neighbor, building inclusive and sustainable communities that create value and investing public money responsibly to deliver results that matter.

Strategic Goals & Agency Priority Goals

The [HUD Strategic Plan FY 2014-2018](#) contains agency strategic goals and each goal has corresponding strategic objectives with over 50 outcome measures of success, as revised by new targets established in the Department's most recent Annual Performance Plan. For a two-year period, in this case FY2014 to FY2015, HUD is focusing on three agency priority goals (APGs). These programmatic agency strategic goals and corresponding strategic objectives and agency priority goals are displayed below for reference. Note that this focus on the agency priority goals is meant to reflect HUD's selected performance improvement opportunities through these areas; the agency priority goals do not reflect the full scope of the agency's strategic goals and mission.

Department of Housing and Urban Development
FY 2014 Summary of Performance and Financial Information

HUD's FY 2014 – 2018 Strategic Framework

Mission: Create strong, sustainable, inclusive communities and quality, affordable homes for all.

Strategic Goals			
Strengthen the Nation's Housing Market to Bolster the Economy and Protect Consumers	Meet the Need for Quality Affordable Rental Homes	Use Housing as a Platform to Improve Quality of Life	Build Strong, Resilient, and Inclusive Communities
Strategic Objectives			
Housing Market Establish a sustainable housing finance system that provides support during market disruptions, with a properly defined role for the U.S. Government.	Rental Investment Ensure sustainable investments in affordable rental housing.	End Homelessness End homelessness for Veterans, people experiencing chronic homelessness, families, youth and children.	Fair Housing Reduce housing discrimination, affirmatively further fair housing through HUD programs, and promote diverse, inclusive communities.
Credit Access Ensure equal access to sustainable housing financing and achieve a more balanced housing market, particularly in underserved communities.	Rental Alignment Preserve quality affordable rental housing, where it is needed most, by simplifying and aligning the delivery of rental housing programs.	Economic Prosperity Promote advancements in economic prosperity for residents of HUD-assisted housing.	Green and Healthy Homes Increase the health and safety of homes and embed comprehensive energy efficiency and healthy housing criteria across HUD programs.
FHA's Financial Health Restore the Federal Housing Administration's financial health, while supporting the housing market recovery and access to mortgage financing.		Health and Housing Stability Promote the health and housing stability of vulnerable populations.	Disaster Resilience Support the recovery of communities from disasters by promoting community resilience, developing state and local capacity, and ensuring a coordinated federal response that reduces risk and produces a more resilient built environment.
			Community Development Strengthen communities' economic health, resilience and access to opportunity.
Highlighted areas denote Agency Priority Goals.			

HUD's FY 2014 Priority Goals and Performance Overview

FY 2014–2015 Agency Priority Goal: Affordable Rental Housing

Target: Between October 1, 2013, and September 30, 2015, HUD aims to preserve and expand affordable rental housing through its rental housing programs to serve 158,000 additional households.

Progress: HUD successfully continued to serve over 5.5 million total households, and provided affordable rental housing to 36,128 additional households, or approximately 74 percent of the FY 2014 target of 48,645 additional households served.

Department of Housing and Urban Development

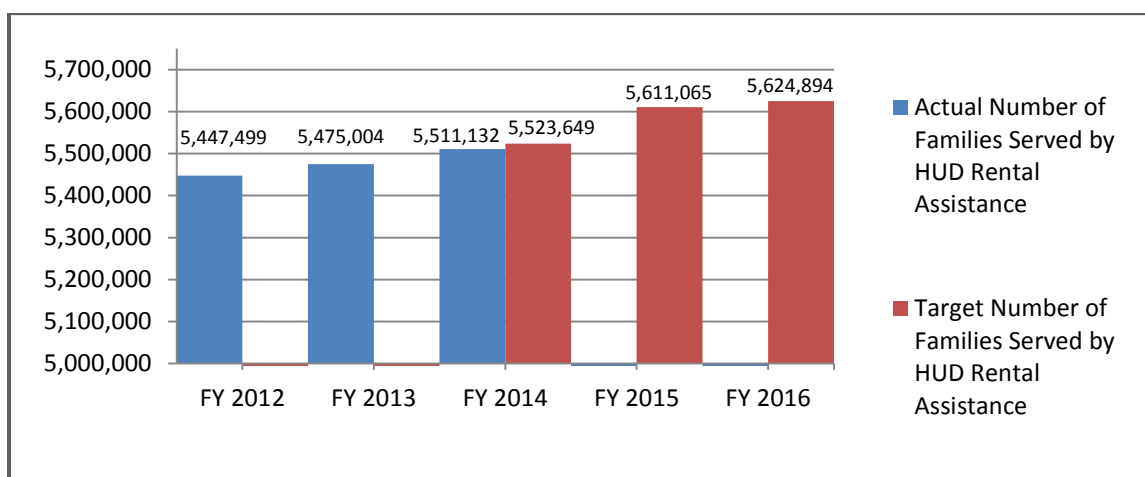
FY 2014 Summary of Performance and Financial Information

Additionally, the following indicators support HUD's progress.

- The first component of the Rental Assistance Demonstration (RAD) allows Section 8 Moderate Rehabilitation projects to convert to long term, project-based Section 8 vouchers or rental assistance contracts. The number of converted Section 8 Housing Assistance Payment (HAP) contracts has increased from 30 in FY 2013 to 6,167 in FY 2014, with a target of 15,000. The target for FY 2015 is 36,000 converted contracts.
- The second component of RAD allows project owners funded under Rent Supplement, Rental Assistance Payment, or Moderate Rehabilitation programs to convert tenant protection vouchers to project-based vouchers. FY 2014 target includes 3,661 units that remained to be converted at the end of FY 2013 as well as 1,500 new units under extended authority for 2014. The number converted in FY 2014 was 7,511 units.
- The calendar year to date (as of September 30, 2014) HAP spending is 96.93 percent of calendar year-to-date budget authority.
- Public Housing occupancy rates across the country remain strong at the target level of 96 percent, despite funding decreases and inventory fluctuations.

For detailed quarterly assessments of progress from 2014-2015, readers may consult the archived quarterly updates on Performance.gov.

Nationwide Rental Assistance Units



FY 2014–2015 Agency Priority Goal: Veterans' Homelessness

Target: HUD, in partnership, with Department of Veteran Affairs (VA), aims to reduce the number of Veterans living on the streets, experiencing homelessness to zero (as measured by the 2016 Point-in-Time count).

Progress: Currently, the program HUD-VASH serves more than 52,000 homeless Veterans by providing vouchers through the Housing Choice Voucher program so they can access rental housing in the private market. Since the program's inception in 2008, more than 80,000 Veterans found housing through HUD-VASH. Veterans experiencing chronic homelessness, but

Department of Housing and Urban Development
FY 2014 Summary of Performance and Financial Information

not eligible for the HUD-VASH program, are served through Continuum of Care (CoC) permanent supportive housing, which in 2013 assisted 12,919 Veterans. The CoC programs offered transitional housing resources to another 10,789 Veterans through the FY 2013 competition, in operation throughout 2014.

Since the 2010 release of the *Opening Doors* report, the number of Veterans experiencing homelessness has declined by 33 percent. In addition, during the annual Point-in-Time count in January 2014, there were 49,933 Veterans experiencing homelessness, representing a decline of 10.4 percent since the Point-in-Time count of January 2013.

FY 2014–2015 Agency Priority Goal: Green and Healthy Homes

Target: Between October 1, 2013, and September 30, 2015, HUD aims to increase the energy efficiency and health of the nation's housing stock by enabling 160,000 cost-effective energy efficient or healthy housing units. As of FY 2014, HUD exceeded its year one goal of 74,347 by 1,990 units.

Progress: To assess our progress towards increasing the energy efficiency and health of the nation's housing stock, HUD tracks the number of newly constructed or retrofitted housing units that are healthy, energy-efficient, and/or meet green building standards. In light of funding challenges – including the expiration of the Recovery Act funds which had funded a significant portion of our units towards this goal over the past four years – the progress made in achieving this objective is noteworthy. Through the 4th quarter of FY 2014, HUD has completed 76,337 green or healthy units, exceeding the FY 2014 target by 1,990 units. Of the completed green or healthy units, 54,767 units, or 71.7 percent, were energy-related, and the remaining 21,570 units were lead hazard control or healthy housing retrofits funded through HUD's Office of Lead Hazard Control and Healthy Homes.

Number of HUD-assisted or -associated units completing energy efficient or healthy retrofits or new construction, by program office					
	FY 2012-13 2-Year Actual	FY 2014 Actual	FY 2014 Target	FY 2015 Target	FY 2016 Target
PIH	77,809	29,428	24,445	23,009	20,483
CPD	30,461	7,923	8,924	8,711	8,051
Housing	28,811	17,416	17,965	34,068	31,198
OLHCHH	23,778	21,570	23,013	23,216	23,216
HUD Total	160,859	76,337	74,347	89,004	82,948

Department of Housing and Urban Development
FY 2014 Summary of Performance and Financial Information

Our Financial Information

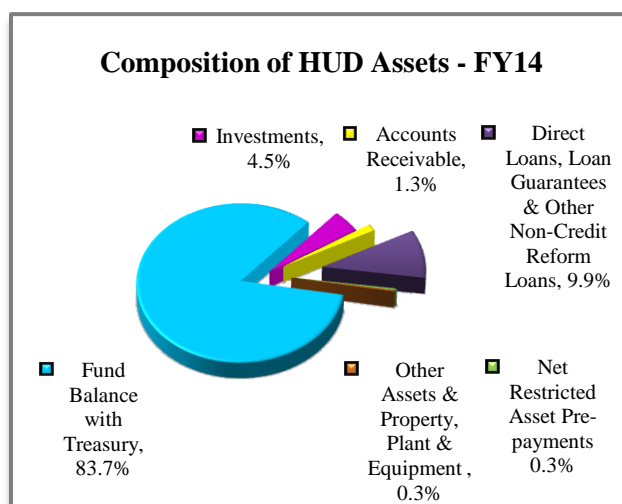
The Department's financial statement, notes, and additional information appear on pages 49 through 131 of our full [FY 2014 Agency Financial Report](#). Among the programs HUD administers are the Federal Housing Administration's (FHA) loan guarantee programs, the Government National Mortgage Association's (Ginnie Mae) mortgage-backed securities program, Section 8 rental assistance, Community Development Block Grants, the Home Investment Partnerships program, PHA Operating Subsidies, Public and Indian Housing (PIH) loans and grants, housing for the elderly and disabled, and others. Below is a summary of financial information for FY 2014.

Summarized Financial Data
(Dollars in Billions)

	2014	2013
Total Assets	\$145.4	\$152.9
Total Liabilities	\$65.4	\$74.6
Net Position	\$80.1	\$78.4
FHA Insurance-In-Force	\$1,292.0	\$1,293.0
Ginnie Mae Mortgage-Backed Securities	\$1,526.0	\$1,457.1
Other HUD Program Commitments	\$40.7	\$43.5

HUD's FY 2014 Financial Statements reflect restatements of the Department's Fiscal Year 2013 Financial Statements. The FY 2013 restatement was due to the re-estimate of prepayments from our tenant-based rental assistance program and the establishment of grant accruals by the Department. The restated financial statements by HUD also reflect the accounting error relating to net restricted assets maintained by PHAs under the Housing Choice Voucher Program, which resulted in additional assets and operating expenses reported by the Department. The impact of these errors resulted in the Department's equity reported on the consolidated financial statement to be overstated by \$565 million for FY 2013. Section 2, Note 30 of the Notes to the Financial Statements in the AFR FY 2014 (page 110), provides further details of the restatement.

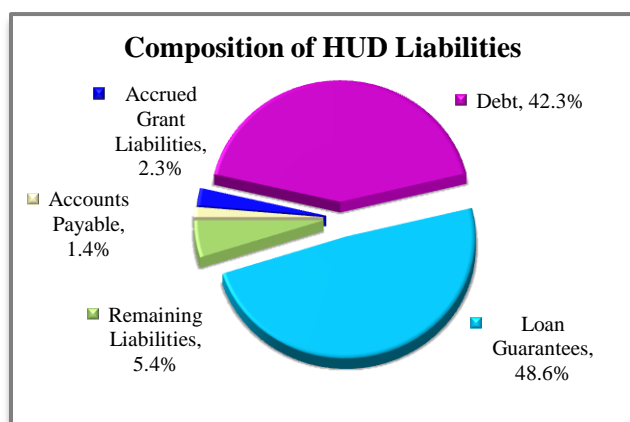
Total Assets of \$145.4 billion are comprised of *Fund Balance with Treasury* of \$121.7 billion (83.7 percent), *Accounts Receivable* of \$1.9 billion, *Direct Loans & Loan Guarantees* of \$10.9 billion, *Other Non-*



Department of Housing and Urban Development

FY 2014 Summary of Performance and Financial Information

Credit Reform Loans of \$3.6 billion, *Investments* of \$6.6 billion, *Net Restricted Asset Prepayments* of \$0.4 billion, and *Other Assets and Property, Plant & Equipment* of \$0.4 billion at September 30, 2014.



Total Liabilities of \$65.4 billion consist primarily of *Loan Guarantees* of \$31.8 billion (48.6 percent), *Debt* in the amount of \$27.7 billion (42.3 percent), *Accounts Payable* of \$0.9 billion (1.4 percent), *Accrued Grant Liabilities* of \$1.5 billion (2.3 percent), and *Remaining Liabilities* amounting to \$3.5 billion (5.4 percent) at September 30, 2014.

Independent Auditor's Report

The Office of Inspector General (OIG) of HUD performed an independent audit of HUD's FY 2014 financial statements (see full report in the AFR at: [Audit Report in FY 2014 AFR](#)). Another independent auditor, whose reports have been furnished to us, audited FY 2013 statements for FHA and GNMA, and OIG's opinion on the fiscal years 2014 and 2013 financial statements related to the amounts included for FHA and Ginnie Mae as of September 30, 2013, is based solely on the reports of the other auditor. Because of the matters described in the Basis for Disclaimer of Opinion on 2014 Financial Statements section of the Independent Auditor's Report contained in the fiscal year 2014 AFR, the OIG was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Additionally, the Department received a qualified opinion on its FY 2013 (restated) financial statements from the OIG. The OIG based the disclaimer of opinion of the FY 2014 financial statements on determining the following HUD practices to be not in accordance with generally accepted accounting principles: (1) Improper use of cumulative and first-in, first-out budgetary accounting methods to disburse in the Office of Community Planning and Development's (CPD) formula programs funds and the use of the cumulative method to determine compliance with section 218(g) of the HOME Investment Partnership Act, and (2) Disclaimer of opinion on Ginnie Mae financial statements due to \$6.6 billion in non-pooled assets from Ginnie Mae's stand-alone financial statements that could not be supported. OIG also identified a matter of unvalidated grant accrual estimates that would have required a modification to the opinion because of materiality; however, it was not pervasive.

The OIG identified eight material weaknesses, including: formula grant accounting did not comply with GAAP, weaknesses in cash management process, unvalidated grant accrual estimates, financial management system weaknesses, not recognizing accounts receivable at the appropriate time, unauditable material asset balances, weaknesses in internal controls over

Department of Housing and Urban Development

FY 2014 Summary of Performance and Financial Information

financial reporting, and ineffective financial management governance. Additionally, the OIG report notes eight significant deficiencies and five instances of non-compliance with laws and regulations.

The Office of the Chief Financial Officer (OCFO) is working together with the Bureau of Fiscal Service's Administrative Resource Center (ARC) (HUD's shared service provider), Ginnie Mae, CPD, PIH, FHA, and other Program Offices throughout the Department to implement new systems, processes, and policies. Significant resources, particularly on New Core and in improvement of accounting processes throughout HUD, are focused on the correction of these weaknesses and deficiencies. Given the magnitude of the systematic issues and long standing ingrained processes which need to be changed and corrected, this resolution effort is a major objective for the Department that will extend over the next three to five years.

Notable Events and Accomplishments in OCFO during FY 2014 included

- Resolved a material weakness cited in the FY 2013 audit on HUD's financial statement preparation and reporting process.
- Completed the first release in Phase 1 of New Core with the transition of the Department's travel and relocation transactions to ARC.
- Collaborated with CPD officials on a redesign of CPD's grants management system, the Integrated Disbursement and Information System (IDIS), to modify the system to comply with Federal financial management system requirements. Systems changes in IDIS remove the use of the non-compliant first in, first out (FIFO) method to disburse obligations for FY 2015 grants.
- Awarded a financial management review contract to the National Academy of Public Administration (NAPA), which addresses an audit finding.
- Developed accounting handbooks, policies and procedures on Accounts Receivable, Debt Collection, Grant Accruals, Purchase Card Expense Accruals, and Accruals for Goods and Services Received but Not Invoiced.
- Provided the Office of Management and Budget with extensive analysis to support a critical request for additional funding needed to fully fund a shortfall and address a lack of resources in the Section 236 Interest Reduction Payment (IRP) Program, established under the National Housing Act (Public Law 90-448) for the purpose of reducing rental payments for lower income families.

For a full discussion of HUD's FY 2014 accomplishments and planned actions in remediation efforts on all of these issues, please refer to the extensive material provided in the Management Assurances and the Summary of Financial Statement Audit subsections in Section 3 of the FY 2014 AFR.

Summary of Management Assurances

The Department of Housing and Urban Development's management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA), Sections 2 and 4. For the complete statement of Management Assurances, and for further discussion, see pages 36 through 46 of the complete [AFR](#).

Based on the results of this evaluation, HUD can provide a qualified statement of assurance of its internal controls over the effectiveness and efficiency of operations (Section 2) as of September 30, 2014, with the exception of one material weakness in the area of Human Capital Management.

The Department conducted an assessment of the effectiveness of internal control over financial reporting in accordance with Appendix A, of OMB Circular A-123. Due to the eight material weaknesses relating to financial reporting, the Department is unable to provide assurance that internal controls over financial reporting were operating effectively as of September 30, 2014. Additionally, HUD has two material weaknesses related to the Department's noncompliance with the Federal Financial Management Improvement Act (FFMIA) and Federal Information Security Management Act (FISMA) which does not conform to the objectives of FMFIA Section 4.

Management and Performance Challenges Summary

HUD's most significant management and performance challenges cited by the OIG to be faced in FY 2015 are listed below with one area of progress noted for each challenge. [For a comprehensive discussion of the challenges facing the Department, please see the OIG memorandum and management's comments in Section 3 of the AFR.]

- Human Capital Management - Completed all activities in the original Goals, Engagement, Accountability and Results (GEAR) Implementation Plan.
- Financial Management Governance of HUD – Filled critical financial management positions and created plans to improve financial management governance, including implementation of New Core project and implement an interagency agreement with the Bureau of the Fiscal Service (BFS) to obtain full Federal shared services support.
- Financial Management Systems - Completed implementation activities for the first phase of the New Core project, including successful deployment of Phase 1 - Release 1 Travel, Relocation, Oracle travel accounting, and interfaces with a legacy system.
- Information Security - Hired new CIO and Chief Information Security Officer, published multiple IT security handbooks, program guides, and guidebooks, and updated the Authority to Operate (ATO) process.

Department of Housing and Urban Development
FY 2014 Summary of Performance and Financial Information

- Single-Family Programs - Continuing to refine its operations and systems to improve the timeliness and effectiveness of its entire QC workload.
- Office of Community Planning and Development Programs – began to implement system changes to remove FIFO processing, and insure that commitments and disbursements of grant funds will be on a grant-specific basis, while seeking to overcome funding challenges for system development.
- Public and Assisted Housing Program Administration - has made significant progress monitoring housing agencies that administer the Housing Choice Voucher Programs (HCVP) nationwide.
- Compliance with the Improper Payments Elimination and Recovery Act of 2010 – Reduced improper payments by 61 percent between FY 2000 and 2012 through use of the Enterprise Income Verification (EIV) system for verifying tenant data. Working to improve reporting of results for other areas.
- Administered Programs Directed Toward Victims of Natural Disasters - Increased its grants oversight efforts to address the increases the Department’s grants management responsibilities.

This Report is Available on the Web at:
<http://portal.hud.gov/hudportal/documents/huddoc?id=sr2014.pdf>



U.S. Department of Housing and Urban Development